

## Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 L-03 DRC-01

CIAE-00 INR-10 NSAE-00 RSC-01 /072 W

----- 109717

R 101733Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0251

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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PASS AGRICULTURE FOR ANDERSON/FAS

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: SURPLUS POULTRY SITUATION IN EC

REF: FASTO CIRCULAR 132

BONN PASS HAMBURG

SUMMARY: ANALYSIS CONTAINED IN 15B ON APRIL 11 REMAINS  
BASICALLY UNCHANGED. THE UK HAS LITTLE TRADE IN  
CHICKEN MEAT AND THE INDUSTRY REMAINS LARGELY UNAFFECTED  
BY EVENTS IN PARTNER COUNTRIES. OUR INTERPRETATION OF  
EC EXPORT SUBSIDY IS OF A TWO MONTH ONLY EMERGENCY  
ACTION WHICH WILL BE DIFFICULT TO EXTEND. END SUMMARY.

1. TRADE - THE UK IS LARGELY SELF-SUFFICIENT IN POULTRY  
MEAT AND THERE IS LITTLE IMPORT OR EXPORT TRADE. DUE TO  
COMPUTER BREAKDOWN, NO TRADE FIGURES FOR 1974 ARE YET  
AVAILABLE BUT TRADE SOURCES INDICATE THAT THE TRANSITION-  
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AL AND MONETARY COMPENSATORY AMOUNTS REMAIN NEUTRAL AND

THERE HAS BEEN LITTLE INCREASE IN IMPORT TONNAGES. SWAMPING OF THIS MARKET BY CONTINENTAL PRODUCERS IS EXTREMELY UNLIKELY. ENQUIRIES HAVE BEEN MADE ABOUT EXPORT SUBSIDIES ON SHIPMENTS TO THIRD COUNTRIES BUT FEW IF ANY SHIPMENTS HAVE BEEN MADE. BECAUSE OF HEALTH REQUIREMENTS, EC "6" MARKET REMAINS CLOSED TO UK EXPORTERS.

2. NUMBERS - MARCH CENSUS FIGURES NOT YET AVAILABLE. WILL CABLE IMMEDIATELY THEY ARE.

3. PRODUCTION - THE ONLY STATISTICS AVAILABLE ARE A QUARTERLY ESTIMATE OF CHICKEN THROUGHPUT OF PACKING STATIONS IN ENGLAND AND WALES. FIRST QUARTER OUTPUT ABOUT 1 PERCENT UP. FORECAST REMAINS UNCHANGED FROM 15B.

4. STOCKS - STOCKS IN PUBLIC COLD STORE AT END OF APRIL AT 23,100 TONS WERE NEARLY 2 & ONE-HALF TIMES GREATER THAN SAME PERIOD IN 1973. PRIVATE HOLDINGS PROBABLY SHOW EQUIVALENT INCREASE. IN PART, UNCERTAINTY ABOUT FUTURE PRICE LEVELS HAS CAUSED HAND-TO-MOUTH SITUATION, BUT STOCK LEVEL STILL NOT CONSIDERED CRITICAL. HOWEVER, IT IS CLEARLY OVERHANGING THE MARKET AND COULD FUEL A SERIOUS PRICE BREAK IN NEXT FEW MONTHS.

5. PRICES - WHOLESALE BROILER PRICES ARE SOFTENING AND HAVE DROPPED ABOUT 2 PENCE PER POUND SINCE JANUARY 1. CURRENTLY ABOUT 18 & ONE-HALF PENCE. TURKEY FAIRLY STABLE SINCE JANUARY 1 IN 26-27 PENCE RANGE. RETAIL MARGINS APPEAR TO HAVE GROWN AS RETAILERS HELD PRICE AT OR NEAR DECEMBER LEVELS. CURRENTLY THERE IS A STAND-OFF WITH WHOLESALERS WILLING TO HOLD STOCKS RATHER THAN PRECIPITATE PRICE BREAK.

6. RETURNS - THE INDEX OF GROSS MARGINS (SEE 15B) HAS CERTAINLY DETERIORATED RAPIDLY FROM THE BEGINNING OF THE YEAR AND CURRENTLY IS ONLY SLIGHTLY ABOVE THE AVERAGE FOR 1971 AND WELL BELOW THE BUOYANT RETURNS EXPERIENCED IN 1973. THE GOVERNMENT COULD (A) CHANGE THE UNCLASSIFIED

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BASIS FOR COMPOUND FEED COSTS FROM COST PAID TO REPLACEMENT COSTS OR (B) SUBSIDIZE FEED COSTS TO FORCE DOWN FASTER THE ALREADY FALLING FEED PRICES. HOWEVER, CURRENT PRODUCER PROTEST IS MORE RELATED TO THE CHANGE FROM LAST YEAR'S PROFIT LEVELS THAN ACTUAL UNPROFITABILITY, AND DIRECT ACTION TO HELP PRODUCERS IS UNLIKELY.

7. PLACINGS - ONLY MEAT CHICK PLACINGS FOR UK AVAILABLE  
AND 1ST QUARTER WAS 11.1 PERCENT HIGHER THAN SAME  
PERIOD 1973 AND 13.9 PERCENT HIGHER THAN PRECEDING  
QUARTER. THIS REFLECTS (A) EXPECTATION OF SATISFACTORY  
RETURNS WITH LOWER FEED COSTS LARGELY OFFSETTING PRICE  
SOFTENING AND (B) COMPETITION BETWEEN LARGE INTEGRATED

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PRODUCERS TO EXPAND SHARE OF MARKET. IT IS BELIEVED THAT  
LARGE STOCKS OF UNSOLD BIRDS WILL TEMPER ANY FURTHER  
EXPANSION IN SECOND AND THIRD QUARTER OF YEAR AND WITH  
COMPETING MEATS MORE PLENTIFUL A DROP IN PLACINGS  
IS POSSIBLE. HERE IT SHOULD BE NOTED THAT OVERT  
COLLUSION BETWEEN UK PRODUCERS TO LOWER PLACINGS AND  
AVERT FUTURE GLUTS IS EXTREMELY UNLIKELY AND INDEED THE  
GOVERNMENT WOULD MOVE TO PREVENT SUCH COLLUSION.  
TURKEY POULT PRODUCTION IS ONLY AVAILABLE FOR ENGLAND

AND WALES AND, LIKE CHICKEN, 1ST QUARTER PRODUCTION WAS UP OVER SAME PERIOD 1973 (PLUS 13.6 PERCENT) AND THE PRECEDING QUARTER.

8. FEED - COMPOUND FEED REQUIREMENTS IN 1974 ARE EXPECTED TO EXPAND IN LINE WITH INCREASED POULTRY MEAT PRODUCTION. EGG PRODUCTION IS ALSO FORECAST UP (SEE 15B). ONLY STATISTICS AVAILABLE ARE THOSE FOR SALES OF FEED UNCLASSIFIED

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OTHER THAN FOR OWN USE WHICH EXCLUDES THE USAGE BY INTEGRATED OPERATORS. POULTRY FEED USAGE COULD BE CALCULATED BY WORKING BACKWARDS FROM NUMBER OF BIRDS, AND FUTURE USE DERIVED FROM PROJECTIONS OF BIRD POPULATIONS.

9. SUBSIDY - OUR UNDERSTANDING OF THE EXPORT SUBSIDY IS THAT THIS ACTION WAS RELUCTANTLY TAKEN ONLY AS A TEMPORARY MEASURE TO GIVE SOME COUNTRIES A CHANCE TO CLEAR SOME STOCKS. ORIGINAL PROPOSAL WAS FOR 3 MONTHS BUT, UNDER CONSIDERABLE PRESSURE, REDUCED TO 2 MONTHS. SOURCES HERE INDICATE THAT IT MAY BE VERY DIFFICULT TO GET UNANIMOUS APPROVAL TO EXTEND PRESENT SUBSIDY BEYOND JULY 1 ALTHOUGH EVERYONE CONCEDES THAT THIS SUBSIDY IS THE ONLY SHORT-TERM ACTION AVAILABLE. SOME TRADERS, HOWEVER, EXPECT IT TO BE EXTENDED AND PERHAPS EVEN INCREASED IF SITUATION DETERIORATES.

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## Message Attributes

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